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Q & A

SINO—AFRICAN VOICES

Q&A with: KAI XUE
Banking, Finance & Outbound M&A Lawyer
DeHeng Law Offices, Beijing

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*The **Sino-African Voices** is a series of Q&A on broader issues regarding Africa-China economic, social and political cooperation.*

The platform is used to share critical insights from individuals with first-hand experience in both Africa and China.

*In this Q&A, ACCPA interacted with **Kai Xue**, Banking, Finance & Outbound M&A Lawyer with DeHeng Law Offices based in Beijing.*

He shared key insights and perspectives on:

- *China's Belt & Road Initiative*
- *BRI and Africa*
- *M&A deals happening between Africa & China*
- *China's infrastructure financing in Africa*



In a nutshell, can you please tell us what the BRI initiative is and how this initiative will impact International Trade globally and especially that of Sino -African trade?

The core idea of the Belt and Road is financing and investment by Chinese financial institutions for cross-border infrastructure globally.

In the Africa-China context, the great build-up of the last decade in transportation infrastructure is apparent and spurs both international trade and domestic markets.

While the Belt and Road build its brand on cross-border trade, I see internal trade within African countries as even more promising for development.

The vast expansion of rural road infrastructure in Africa often with Chinese participation as construction contractors and lenders has played a major role.

The primary beneficiaries of rural roads are farmers who gain ease of access to urban markets. The effect of higher agricultural productivity and rising farm incomes lays the foundation for development.



It's been 10 years since the BRI initiative was launched. Has China seen any tremendous impact on its international relationship with partner countries?

The transportation projects of the Belt and Road can be grand in ultimate significance by filling the remaining gap needed to connect a large land mass. Take for instance the quiet opening of the Laos-China Railway at the end of 2021.

The grand significance was barely noticed: the construction of the railway between Vientiane, the capital of Laos, and Kunming, the southwest regional center in China, linked the ends of Eurasia via the creation of a continuous railway from Singapore to Portugal.

A connection of grand significance was made in Africa too with no absolutely no fanfare in the 2010s. Chinese banks financed the paving of two road segments in Kenya and a Chinese contractor hired by the Japanese aid agency paved a road segment in Tanzania.

These unconnected roads were among the last unpaved segments of a 10,200-kilometer road stretching from Cape Town to Cairo.



Looking at the G7 B3W and China's BRI do you feel that there are some competing visions for Africa's Development?

So far there is competition from the US and Europe in the form of bold announcements with huge numbers found in press releases.

The question is whether the US and Europe will actually mobilize the necessary resources or engage in shallow competition with announcements that go nowhere.

A year after US President Biden and other G7 leaders announced B3W in 2021, the initiative could be characterized as “bankrupt before even getting shovels in the ground.”



How are Chinese investments impacting Africa and do you think there will be any consequences for the west?

There is a shared interest among all parties in a prosperous Africa.

The role of Chinese investments in Africa and shared interests is most apparent in the Sahel and coastal West Africa.

Since the toppling of the Libyan government by the NATO-led coalition in 2011, stability in the Sahel has deteriorated and there have been jihadist incursions into coastal West Africa.

The unfolding crisis is a growing tragedy for Africa and will lead to a surge in refugees seeking protection in Europe. Chinese investments and construction in the region, for example, the construction of Terminal 5 for grain imports at the Port of Cotonou in Benin by China Harbour Engineering will bolster development and complement security.

By itself, investment is not enough to bring prosperity to the region because economic activity can't thrive without security.

While the military intervention against Libya is at fault for the current crisis (and even more scandalously a main driver of the war is possibly traced to alleged corrupt ties between French President Sarkozy and Libyan leader Qaddafi), combat forces from France and the US are needed to defeat the jihadists in the Sahel.

Though progressing on separate tracks, Chinese investment is complementary to Western troops and drones in the fight to restore peace in the Sahel and coastal West Africa.



Do you think Africa is now becoming overly reliant on China since China is the continent's largest trading partner?

Africa's trade relationship with China cannot be considered overly reliant because the risks associated with such a dependency are the outgrowth of strained geopolitical ties as we have seen with the recent US-China trade conflict.

The US has cut off the Chinese economy from advanced semiconductors, while China has retaliated against weapons sales to Taiwan by imposing trade restrictions on two US arms makers.

The trade relationship between Africa and China does not bear any resemblance to the geopolitical clash between China and the US and no over-reliance risks are attached in the geopolitical sense.



It appears Chinese investments have more drifted towards investing in the natural resources of Africa rather than the market. Your thoughts about this trajectory?

Although the majority of Chinese M&A deals and greenfield investments in Africa have been focused on natural resources, that's not to say this

investment hasn't had a positive impact on the consumer and agrarian economy.

The revenue to host governments generated from the natural resources funds expensive infrastructure projects that would have otherwise been difficult to finance. Off the top of my head, I can think of two notable exceptions to natural resources.

Chinese companies have made numerous investments in the cement industry in several African countries and the textile manufacturing industry in Ethiopia.



What are the areas and or sectors to drive major M&A deals in the Sino-African space in 2023 and beyond?

There is one specific certainty. Due to the growing demand for electric car batteries, I believe lithium will be paramount in Chinese M&A in 2023.

Lithium is a key mineral in the production of electric car batteries, and there have already been a lot of acquisitions of lithium projects in Africa by Chinese investors even during the pandemic.

About Expert



Kai Xue

Banking, Finance & Outbound M&A Lawyer
DeHeng Law Offices

Kai Xue is a corporate lawyer in Beijing. He frequently advises in Belt and Road Initiative financing matters and M&A in African mining.

He has advised on transactions in Kenya, Tanzania, Uganda, Ethiopia, Mozambique, Mauritius, Madagascar, Namibia, Zambia, Zimbabwe, South Africa, Senegal, Ghana, Benin, Congo-B, and Congo-K. The projects have included paving roads, factory investments, expansion of a hospital, construction of solar powered maize mills, and many other pieces of vital infrastructure.

Kai has written frequently about China's relationships with Africa and has been quoted in the Wall Street Journal, Reuters, BBC World Service, and Le Monde Africa.

Before starting his corporate career, Kai briefly worked as a criminal defense clerk at a law firm in Mombasa, Kenya, helping represent suspected Somali pirates standing trial before Kenyan courts.



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INSIGHTS

Who we are.



The Africa-China Centre for Policy and Advisory is a Sino-African research and policy think tank and advisory firm headquartered in Accra, Ghana.

The Centre is dedicated to providing unbiased policy and market research as well as distinct views on Africa-China relations.

We offer strategic guidance on key issues regarding China and Africa, covering multiple sectors and industries.

www.africachinacentre.org



CONTACT

Building No. 49-01, North Legon,
Accra, Ghana
+233 303 965259
info@africachinacentre.org

www.africachinacentre.org